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Liquidator to appeal Kentucky Central ruling

FRANKFORT, Ky. - George Nichols III, Kentucky Insurance Commissioner and Liquidator of Kentucky Central Life Insurance Company, said today that he will appeal a recent ruling by Boyle Circuit Judge Stephen Shewmaker in the Kentucky Central's case against Lexington developers Donald and Dudley Webb. The notice of appeal was filed today in Franklin Circuit Court.

The liquidator's case sought to recover for Kentucky Central policyholders, creditors and shareholders nearly \$100 million dollars for loans unpaid and guaranteed by one or both of the Webb brothers. Kentucky Central loaned money to the Webbs to finance several development projects in Lexington, including the Woodlands and West Main Properties.

In the September 3 ruling, Judge Shewmaker ruled that the Webbs could not be held accountable for the personal guarantees they signed at the time the loans were issued. The Webbs testified that Kentucky Central Chairman Garvis Kincaid and his predecessor, W.E. "Bud" Burnett, promised not to enforce those guarantees so long as the Webbs agreed to cooperate with Kentucky Central in the event their business ventures became unprofitable.

"The policyholders and shareholders were not well served in this practice used by Kentucky Central," Nichols said. "It is on their behalf that I submit an appeal."

The Kentucky Department of Insurance assumed control of Kentucky Central Life Insurance Company in February of 1993. The company entered liquidation in 1994. Since that time, approximately 46 lawsuits in eight states have been filed in the liquidator's name. Distributions of more than \$127 million have been made to the policyholders and creditors of Kentucky Central. The most recent distribution of \$37.2 million was made in June 1998.